

Waves of Change

Sustainability Challenges and the Corporate Response

September, 2008

Jeff Erikson, SustainAbility Inc

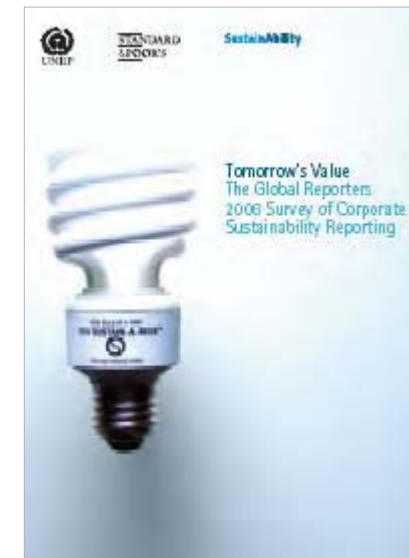
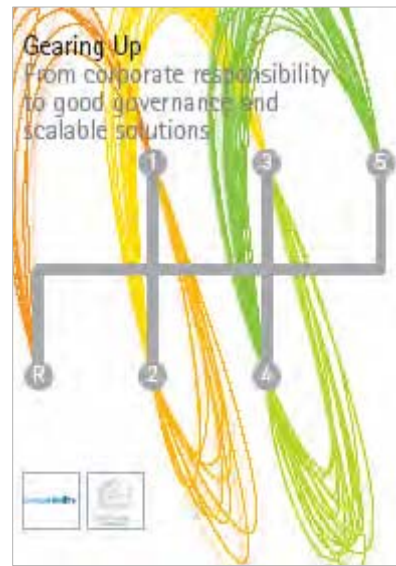
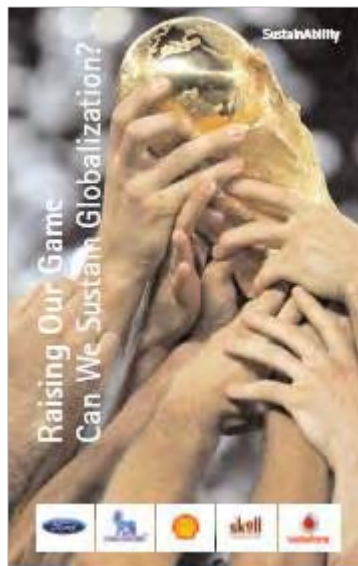
Washington, DC

SustainAbility – 20 Years of Global Leadership

- UK, Europe, US, India
- Consulting, research, advocacy
- At the cross-roads of business strategy and societal expectations
- Clients who are global leaders



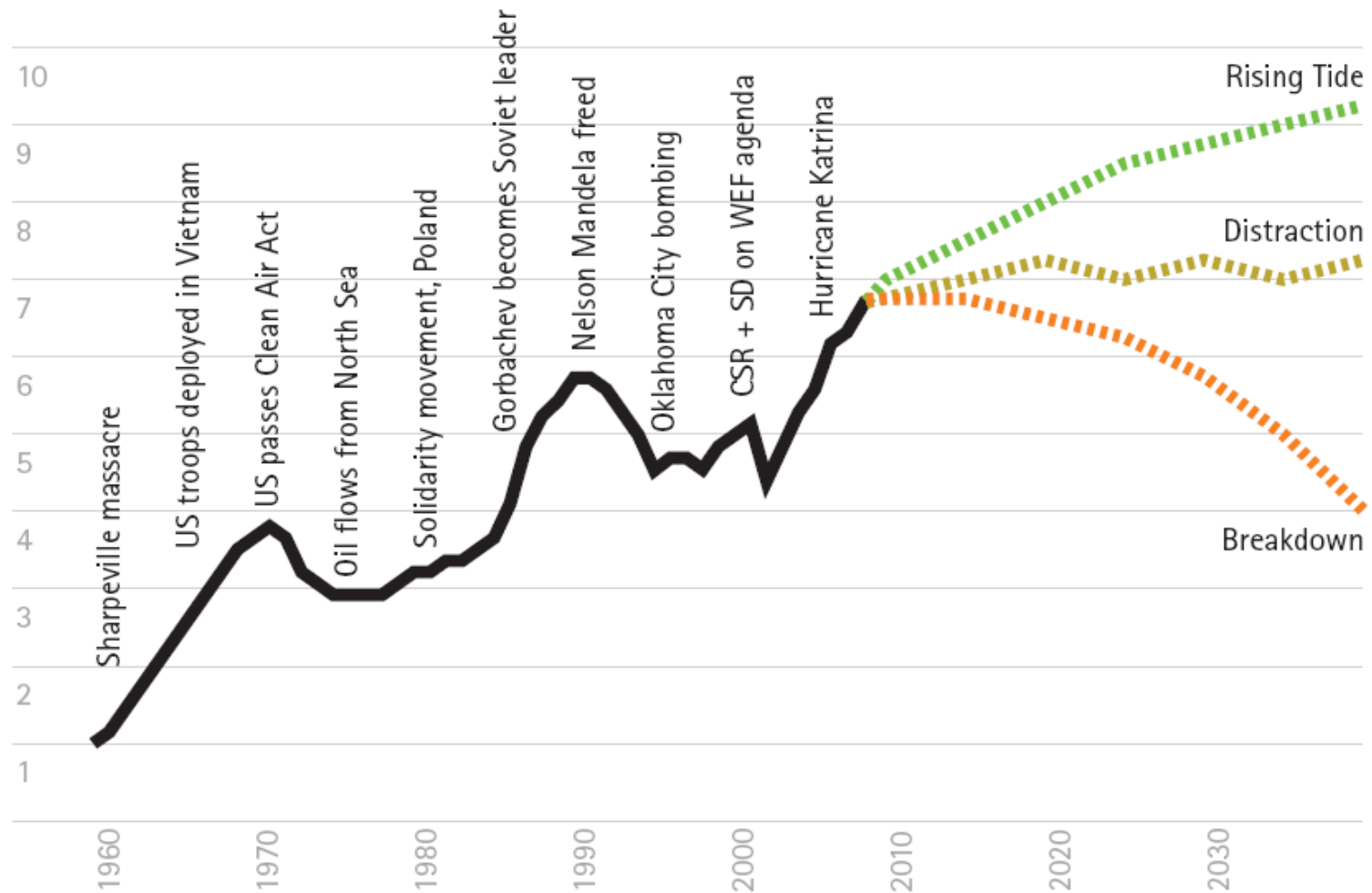
SustainAbility – 20 Years of Global Leadership

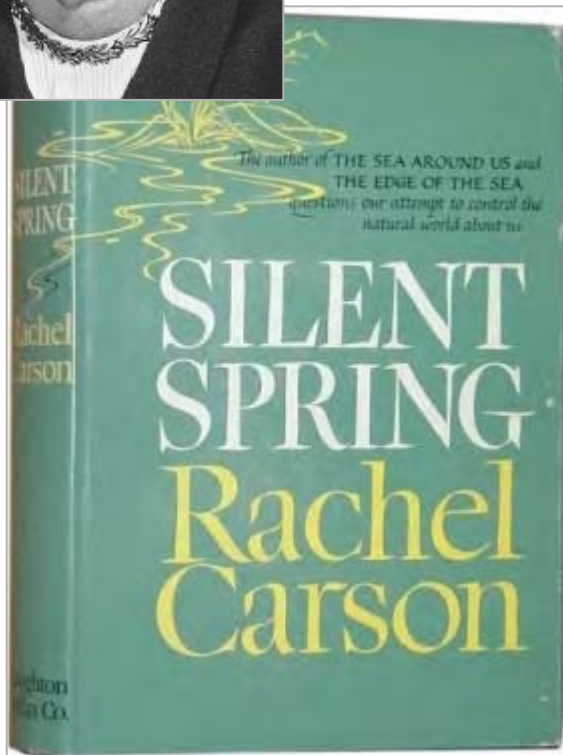


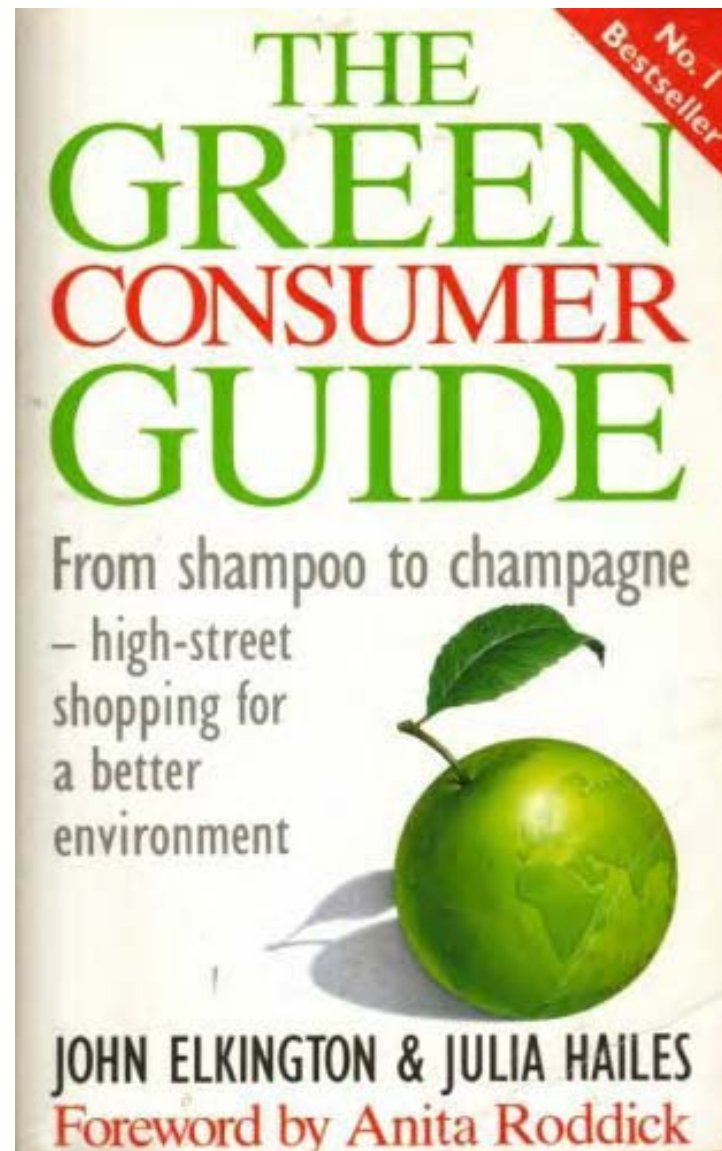
Waves

The Waves of Sustainability

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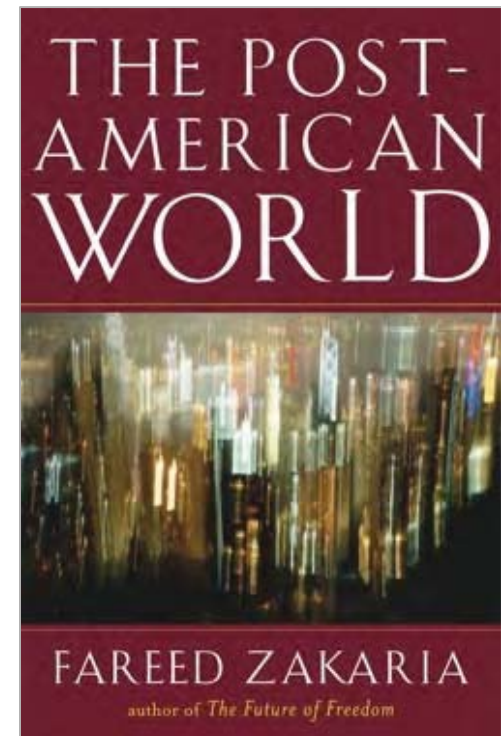
Plan A

Because there is no Plan B



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Trends and Divides

Global Trends, Global Divides

Interconnected global financial markets

Unprecedented urbanization

Growing divides

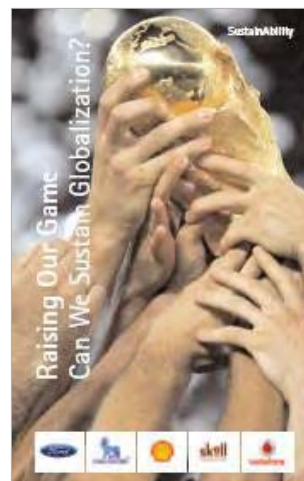
Threats to diversity

Climate and environmental insecurity

Governance vacuums

“Blessed unrest”

The rise of the rest



Divides

| | |
|---------------|-------------|
| Demographic | Health |
| Financial | Gender |
| Nutritional | Educational |
| Resources | Digital |
| Environmental | Security |

– demographic



reality

The world is heading to a population of 9 billion by 2050, with 95% of growth expected in developing countries

opportunity

Meet the needs of billions of people affected by market failures in both developing and developed countries

sample response

Ford's Megacity Mobility
CEMEX's Patrimonio Hoy

– nutritional

reality

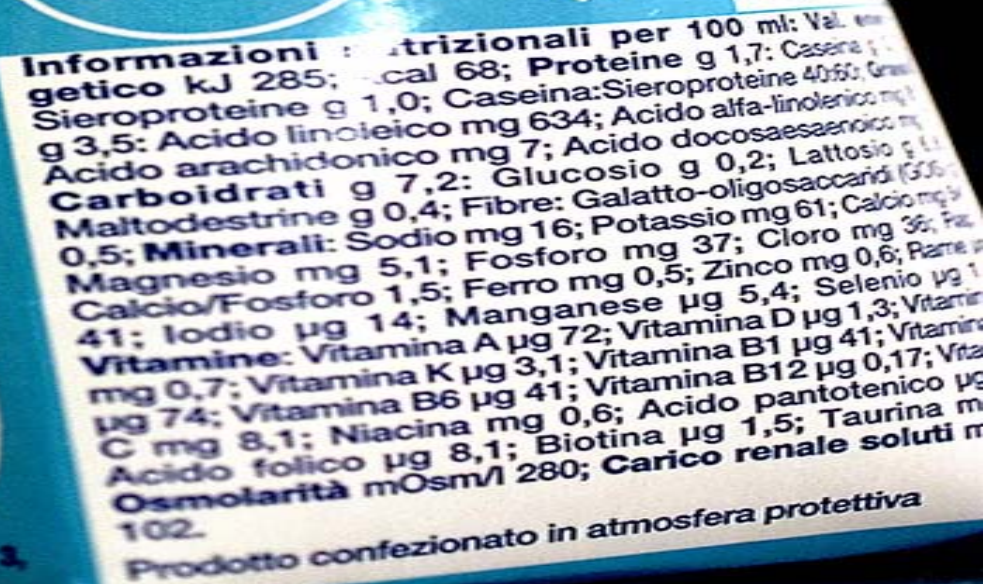
The world now produces enough food for everyone, but over 850 million people still face chronic hunger every day

opportunity

Address the needs of those with too little food – and too much

sample response

Danone & Grameen yogurt partnership
Kraft's de-worming foods



Informazioni nutrizionali per 100 ml: Val. ener-
getico kJ 285; Calcol 68; **Proteine** g 1,7; Caseina g 1,0;
Sieroproteine g 1,0; Caseina: Sieroproteine 40/60; Grassi
g 3,5; Acido linoleico mg 634; Acido alfa-linolenico mg 7;
Acido arachidonico mg 7; Acido docosaesaenoico mg 0,2;
Carboidrati g 7,2; Glucosio g 0,2; Lattosio g 1,0;
Maltodestrine g 0,4; Fibre: Galatto-oligosaccaridi (GOS) g
0,5; **Minerali:** Sodio mg 16; Potassio mg 61; Calcio mg 120;
Magnesio mg 5,1; Fosforo mg 37; Cloro mg 36; Ferro
mg 0,5; Zinco mg 0,6; Selenio µg 1,4; Iodio µg 14;
Vitamine: Vitamina A µg 72; Vitamina D µg 1,3; Vitamina
E µg 0,7; Vitamina K µg 3,1; Vitamina B1 µg 41; Vitamina
B2 µg 74; Vitamina B6 µg 41; Vitamina B12 µg 0,17; Vita-
mina C mg 8,1; Niacina mg 0,6; Acido pantotenico µg
8,1; Biotina µg 1,5; Taurina mg 102;
Osmolarità mOsm/l 280; **Carico renale** soluti n
102.
Prodotto confezionato in atmosfera protettiva

environmental

An aerial photograph of a lush green rainforest. A dark, winding river flows through the center of the forest, surrounded by dense, vibrant green trees. The river's path is irregular, with several small islands and peninsulas of forested land protruding into the water. The overall scene depicts a healthy, undisturbed natural environment.

reality

60% of ecosystem services, such as fresh water & climate regulation, are being degraded or used unsustainably

opportunity

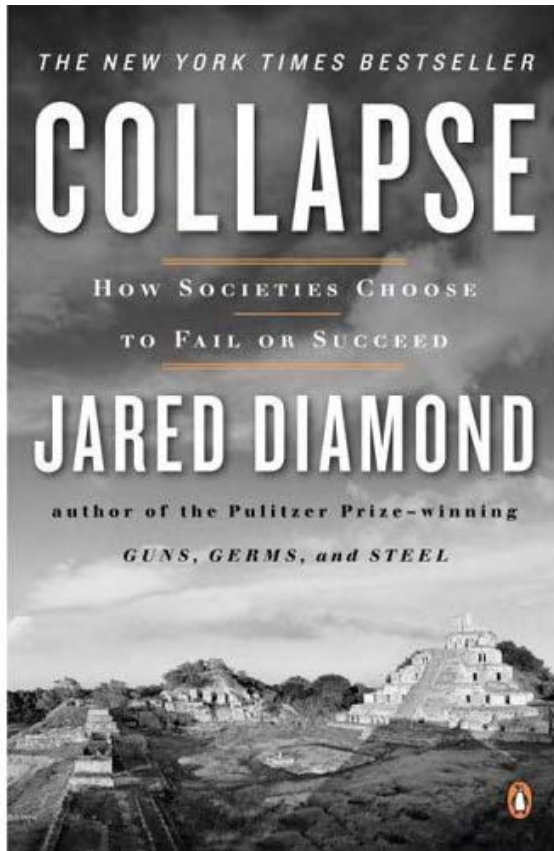
Enable development that uses the earth's resources in a sustainable way

sample response

BP's targetneutral
Google's RE<C

Societies Choose to Fail or Succeed

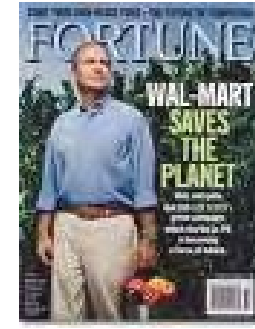
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“...the world’s environmental problems will get resolved, in one way or another, within the lifetimes of the children and young adults alive today. The only question is whether they will become resolved in pleasant ways of our own choice, or in unpleasant ways not of our choice, such as warfare, genocide, starvation, disease, epidemics, and collapses of societies.”

Environment is Everywhere

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Corporate Sector Action

Some Progress

Green is the new black – in theory

Capturing the opportunity, not just managing the risk

Sustainability as an element of the brand

Moving beyond the fenceline

Incremental improvement, not step change

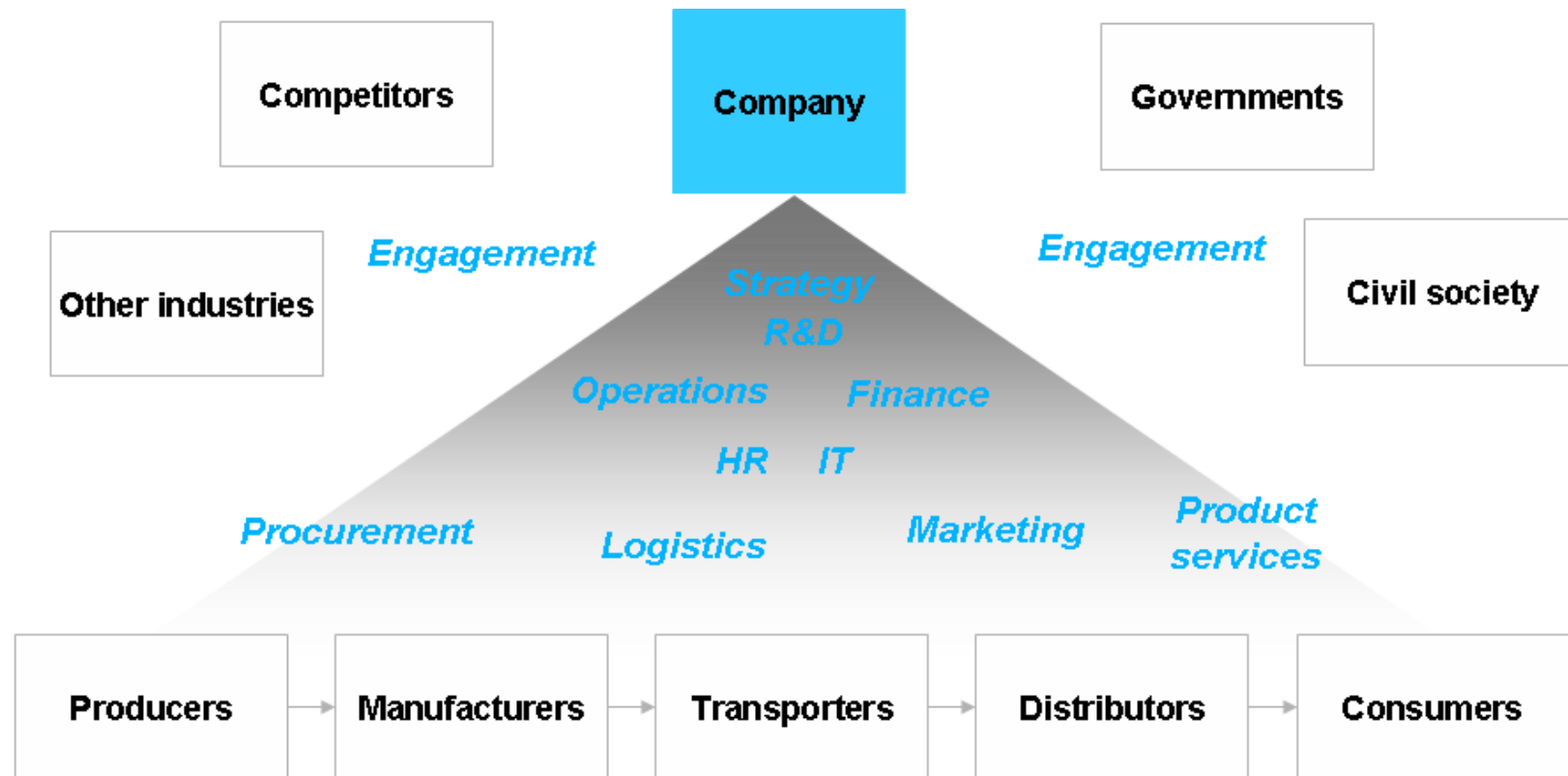
Wall Street still rules

Climate change seen as an opportunity – ignoring the risk?



Beyond the Fenceline

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Critical Success Factors

Demonstrated commitment

Long-term goals, short-term targets

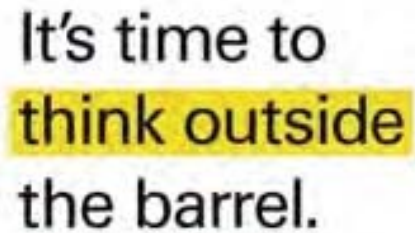
Priorities aligned with material issues

Integration into business functions

Coherence and consistency

| | Governance | Markets |
|----------|-----------------------|------------------------|
| Tomorrow | Boards | Business Models |
| Today | Balance Sheets | Brands |

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Question: 100% for the Chicago program that requires the police to go into an individual's home to collect child support payments that are due. The program, which was approved by the city council, has been criticized by some who say it is an invasion of privacy. The program is being implemented in the city of Chicago.

Discussion: To provide these services, funding for the QICs came primarily through health foundations. Of particular note, funding for the QICs came from foundations that were not health foundations, but rather foundations that were interested in the health of the community. This funding source was particularly important for the QICs that were interested in the health of the community, but not in the health of the individual.



World Energy Demand

Y-axis: MBDOE* (Million Barrels per Day of Oil Equivalent)

X-axis: Year (1980 to 2030)

Regions contributing to demand (from bottom to top):

- United States
- Canada
- Europe
- Russia/Caspio
- Japan/Aus/NZ
- Emerging Asia
- Latin America
- Middle East
- Africa



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Ambitions:

Double research in cleaner technologies

Double revenues from clean-technology products

Reduce greenhouse gas emission intensity by 40%

Report progress

Attributes:

Viewed as a business opportunity

Has solid top-level commitment

Aspirational and specific

Well-researched, based in current reality

Integrated with brand

In it for the long haul



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Ambitions:

Zero accidents

Zero environmental impacts



Attributes:

Simple and compelling message

Leverages established safety slogan and internal culture

Advances internal aspects of more public *Sustainable Growth*” initiative

Credible internal champion and clear CEO support

Ambitions:

100% renewable energy

Zero waste

Sustainable products



Attributes:

Grounded in a strong business case

Long-term goals and targets

Top-level commitment

Linked to company values and strategy

Supplier involvement

“We should view the environment as Katrina in slow motion.”

Lee Scott, CEO, Wal-Mart



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Ambitions:

Carbon neutral

Send no waste to landfill

Extend sustainable sourcing

Improve the lives of people in our supply chain

Help customers/employees live healthier lifestyles

Attributes:

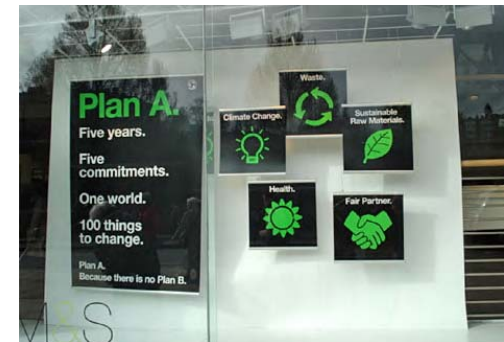
5-year, 100-point eco-plan

In-store messaging/transparentcy

Changing the habits of its customers

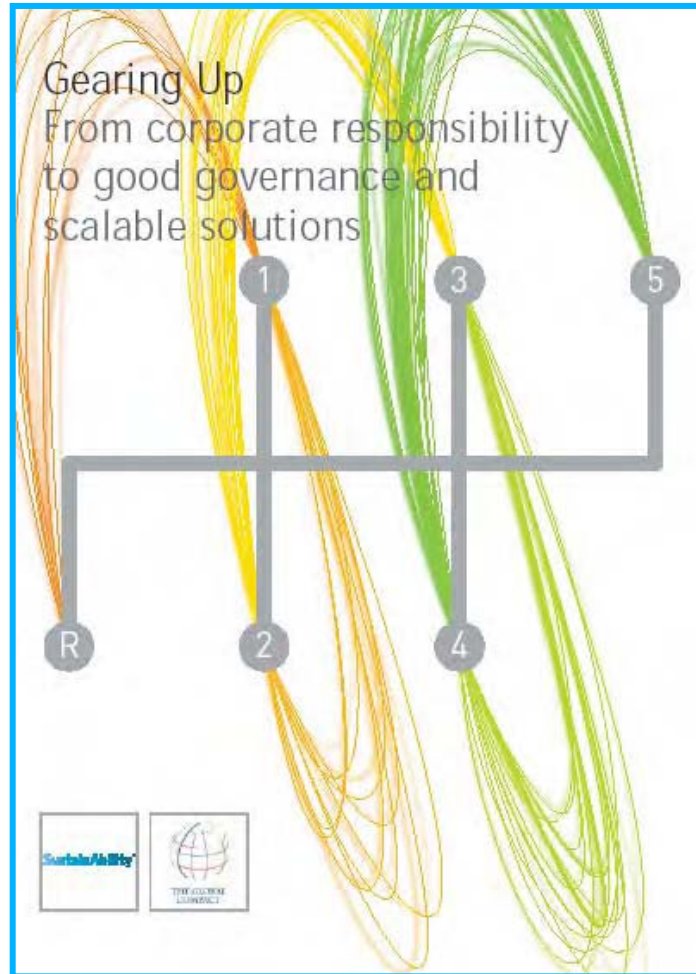
Reports on progress

Partnerships



Transformation

The Need to Gear Up



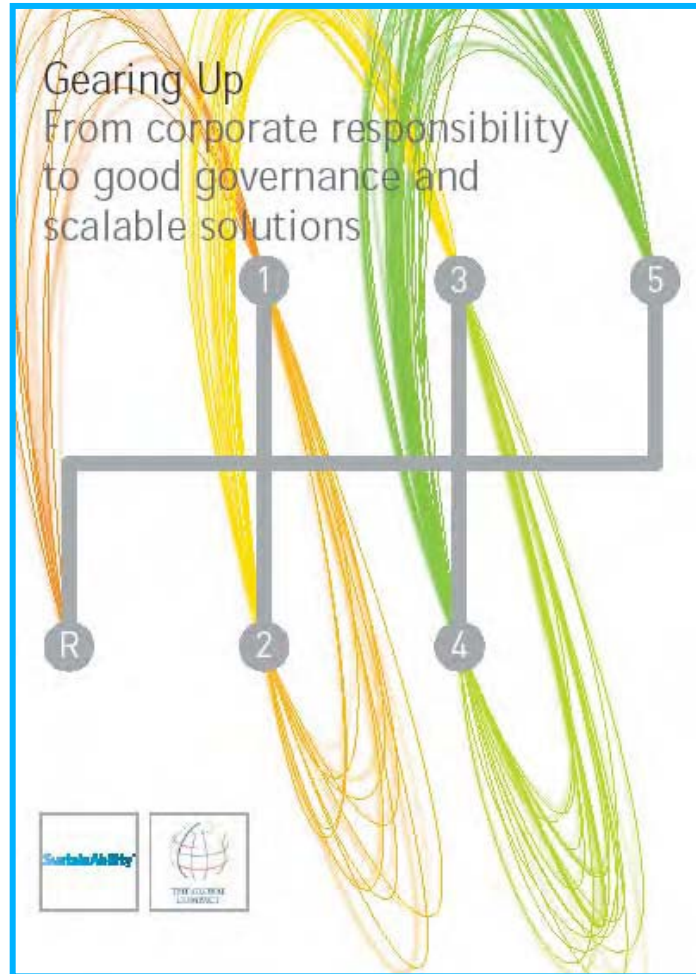
Question: Are voluntary initiatives likely to make a significant difference in the world?

Answer: Not if they continue to operate in isolation of mainstream governance systems.

“The key challenge for business – and for governments – is now to work out how to drive the current generation of responses to such challenges as climate change... to the necessary scale.”

Comply → Volunteer → Partner → Integrate → Re-engineer

The Need to Gear Up



Corporate Responsibility has made achievements in narrowly defined areas, but currently lacks the capacity to deliver real progress on key sustainable development challenges

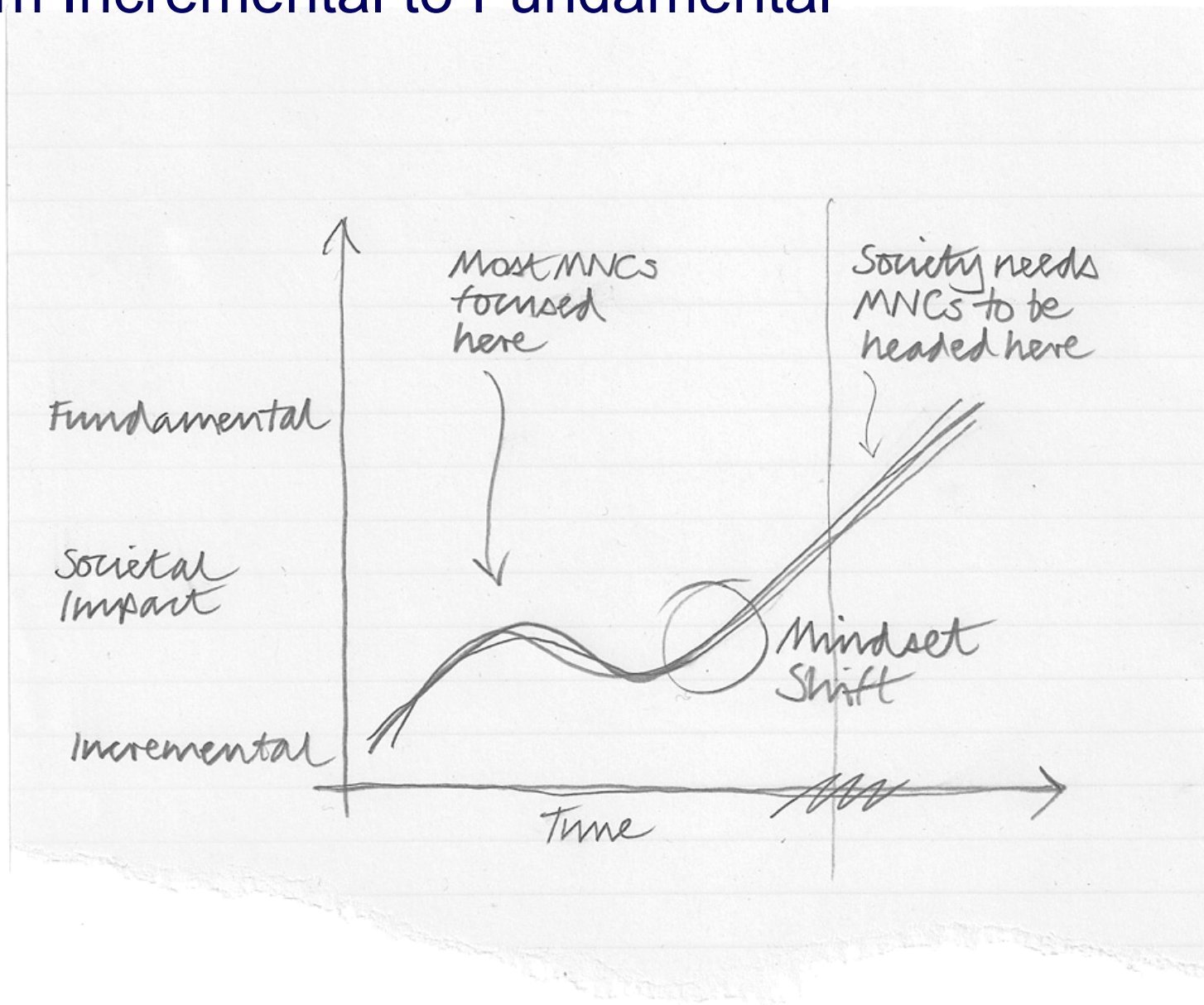
Governments remain central – as conveners, facilitators, and in setting a course and developing incentives

Business can bring fresh perspectives, test new policy frameworks, evolve innovative and more efficient models, and transfer skills and technologies

...but trust will only come with greater transparency and engagement

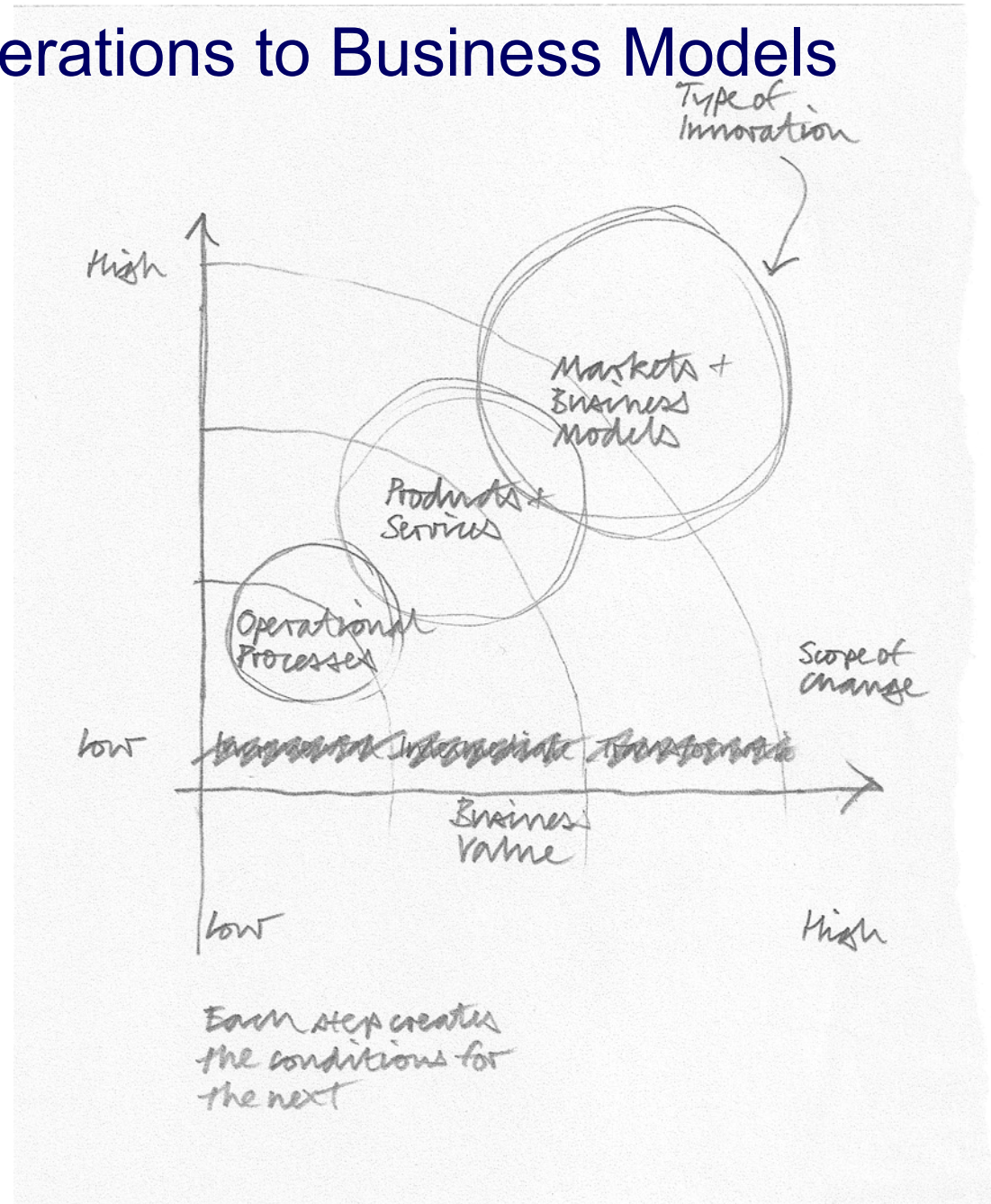
From Incremental to Fundamental

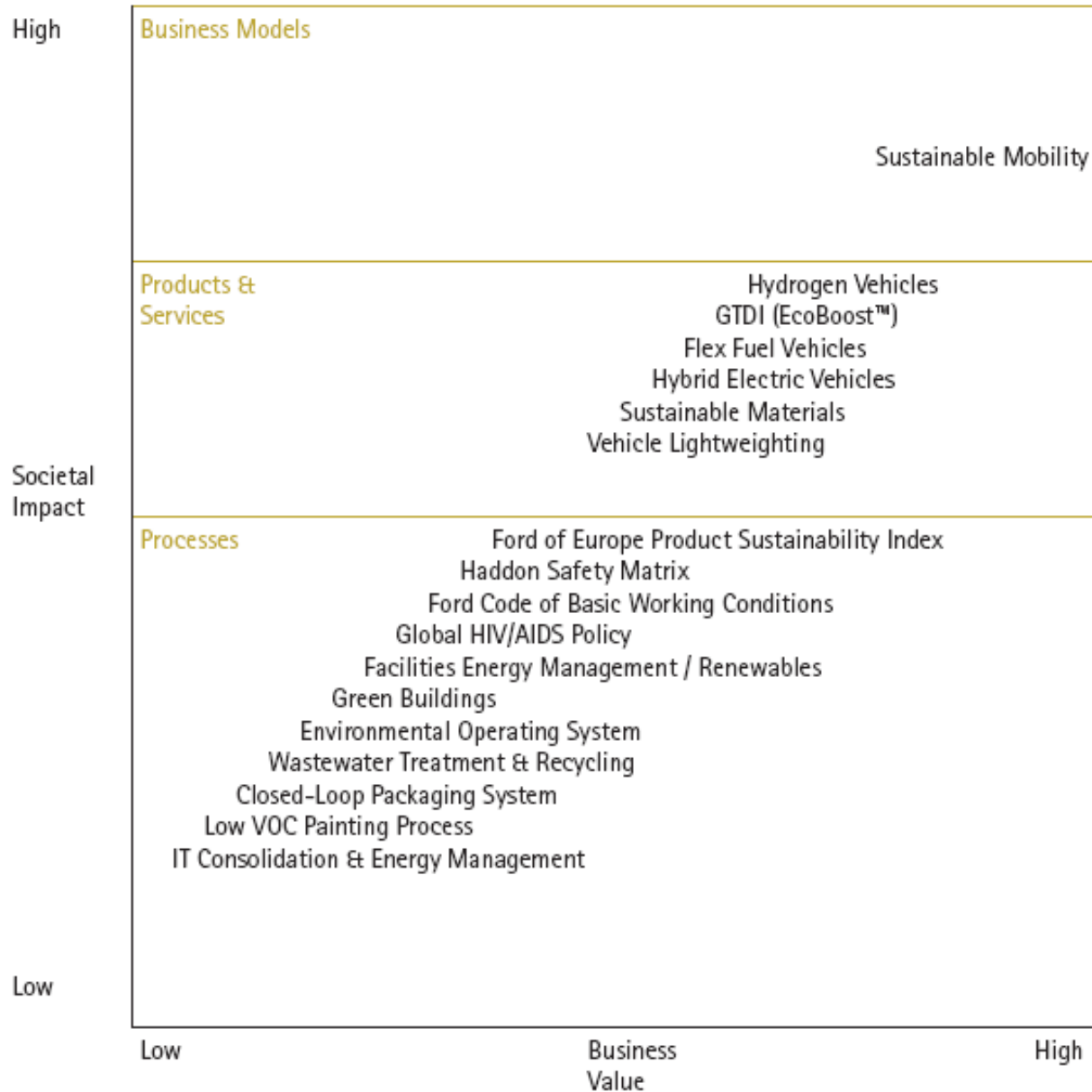
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From Operations to Business Models

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